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No. 85-266

In The

Supreme Court of the United States

October Term, 1985

WILCO MARSH BUGGIES AND DRAGLINES, INC., JOHN M. WILSON, SR., DEAN R. WILSON, and ROBERT J. WILSON, JR.,

Petitioners,

v.

KORI CORPORATION, HUEY J. RIVET, and LOUIS WOODSON,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

RESPONDENTS' BRIEF IN OPPOSITION

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COUNTERSTATEMENT OF THE QUESTION PRESENTED

Where there are no exceptional circumstances present, does the law of the case doctrine preclude individual defendants in a patent infringement action from raising the issue of their personal liability in the damage or accounting appeal when they did not raise, brief or argue that issue during their appeal of the liability phase even though the trial court had expressly ruled in the liability phase that they had actively induced infringement and were willful infringers?

NOTICE UNDER SUPREME COURT RULE 28.1

This brief is filed on behalf of Respondents, Huey J. Rivet, patentee of United States Patent No. 3,842,785, Louis Woodson, part owner of U.S. Patent No. 3,842,785 and at one time the exclusive licensee under the patent, and Kori Corporation, the exclusive licensee under the patent by assignment from Louis Woodson, all of whom were Plaintiffs in the District Court and Appellees in the Court of Appeals for the Fifth Circuit and in the Court of Appeals for the Federal Circuit. The Kori Corporation has the following affiliates: Laine Construction Co., Inc.; Woodson Construction Co., Inc.; Loumar Construction Co., Inc.; and Glaser Construction Co., Inc.

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ABBREVIATIONS

P.: Petition for Writ of Certiorari

P.App.: Appendix to Petition for Writ of Certiorari

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I.

STATEMENT OF THE CASE

Respondents generally accept the Statement of the Case presented by Petitioners although two additional matters should be noted. First, in the appeal of the liability phase, the Fifth Circuit affirmed the trial court's ruling that *all* the defendants infringed Respondents' patent. Second, the first time that defendants sought to challenge the trial court's ruling that all defendants were liable was when they appealed the accounting phase of the trial to the Court of Appeals for the Federal Circuit. Even then, it was raised untimely in Appellants' Reply and Supplemental Briefs and not in their original Brief.

II.

REASONS FOR DENYING THE WRIT

Petitioners are quite correct in their statement that the issue of the personal liability of the Wilsons was not briefed, argued, referenced or in any way addressed by the parties or the court during the prior liability appeal to the Fifth Circuit. However, if Petitioners wanted to appeal the trial court's ruling of personal liability, they *should* have raised that issue in the appeal of the liability phase of the bifurcated trial and not in the appeal of the accounting phase.

The Court of Appeals for the Federal Circuit properly relied upon the doctrine of the law of the case in refusing to consider the personal liability of the individual defendants because that issue was explicitly decided at an earlier stage of the litigation and was not preserved by Petitioners on appeal. The trial court ruled in the liability phase—and rightly so—that *all* defendants were liable for actively inducing infringement and were willful infringers. Petitioners totally failed to challenge this ruling of personal liability of the individual defendants when they appealed to the Fifth Circuit. Therefore, that ruling became the law of the case in the subsequent appeal of the accounting phase.

Petitioners characterize this case as similar to *Smith International, Inc. v. Hughes Tool Co.*, 759 F.2d 1572 (Fed. Cir. 1985), *petition for cert. filed*, — U.S.L.W. — (U.S. June 24, 1985) (No. 84-1995), which is pending before this Court, but the cases are quite different. The only similarities which Respondents can discern are that the Federal Circuit applied the law of the case doctrine in both appeals (but for different reasons) and the Petitioners in both cases are represented by the same counsel.

In *Smith International*, the Federal Circuit in the damage appeal held that the Court of Appeals for the Ninth Circuit had decided the issue of fraud by "necessary implication" when it held the Hughes' patent valid. Petitioners' primary arguments in *Smith International* are that no appellate court ever actually considered the merits of the patent fraud defense and that the issue of fraud is such an important public policy issue that the Federal Circuit should have expressly considered it on the damage appeal regardless of whether the defendant had cross-appealed on the fraud issue in the first instance.

In the present case, it cannot be argued that the courts failed to consider the issue of the personal liability of the individual defendants. During the early pretrial proceedings in the district court, Petitioners moved to dismiss the individual defendants because they were officers, directors and/or shareholders and, as such, were not liable for the corporation's infringement. Prior to trial, the trial court denied the motion, stating:

> The determination of personal liability for patent determination [sic, infringement] under Section 271 is based on the individual's separate and independent liability for his (or their) own, specific acts of infringement. Liability is thus joint and several.
>
> . . . .
>
> The issue whether, and to what extent, the Wilsons actively induced the alleged infringement in this case is a factual one, not to be determined at this time. Obviously however, such determination cannot be made if the Wilsons are dismissed. (P.App. 21-22).

After the liability trial on the merits, the trial court *explicitly* ruled that the defendants were liable for actively inducing infringement and were willful infringers (P.App. 48-49; 561 F. Supp. at 522). That ruling necessarily became the law of the case when Petitioners ap-

pealed the liability phase of the bifurcated trial and failed to question the lower court's ruling on personal liability.

Petitioners argue that "the doctrine of law of the case does not preclude matters that *could* have been but were not decided during prior proceedings" (P. 9) (emphasis added). While this may be an axiom that Petitioners believe should be part of Federal practice (or at least one which should govern this Court's action in *Smith International*), it has no application to the case at hand. This case involves an issue which *should* have been but was not raised on appeal to the Fifth Circuit. Having been omitted as one of the points of appeal by Petitioners, the trial court's ruling on that issue became the law of the case.

Petitioners' special counsel has recognized this conventional application of the law of the case doctrine in his Treatise where he pointed out that:

> The last and least important aspect of law of the case doctrine embraces circumstances in which lower court rulings become binding on higher courts through failure to preserve an issue for review. So long as a matter is properly preserved in the lower court, the fact that the lower court can properly refuse reconsideration as a matter of law of the case of course does not prevent subsequent review and reversal on appeal. If the matter is omitted from one appeal, however, it may be held foreclosed on a later appeal to the same court as a matter of law of the case.*

18 Wright, Miller & Cooper, *Federal Practice & Procedure: Jurisdiction* §4478 at 801 (1981). *See* also, 1 J. Moore, *Federal Practice* ¶ 0.404[1] at 120 n. 15 (1984).

In accordance with 28 U.S.C. §1292(a)(4), Petitioners had a right to appeal from a judgment which was "fi-

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*In *Central Soya Co. v. Geo. A. Hormel & Co.*, 723 F.2d 1573, 1580 (Fed. Cir. 1983) the Federal Circuit indicated that it would treat an appellate court's earlier decision on liability as its own.

nal except for an accounting." The purpose of this provision is to permit intermediate appellate courts to review findings of liability before the parties suffer the expenses of an accounting. Of course, Petitioners were not obligated to appeal at that time, but having chosen to do so, they were required to raise all issues relating to liability. To permit them to do otherwise would effectively give a party the opportunity to raise issues on appeal one at a time. Piecemeal appeals are not favored for this very reason.

Petitioners' argument that "the issues of liability—who is to pay—should naturally be considered along with the questions of damages—how much to pay" (P. 12) makes no sense. Aside from the fact that the authorities cited do not support such a proposition, the argument flies in the face of what bifurcation is intended to accomplish in patent suits.

Petitioners rely on *Paeco, Inc. v. Applied Moldings, Inc.*, 562 F.2d 870 (3d Cir. 1977) and *Saf-Gard Products, Inc. v. Service Parts, Inc.*, 532 F.2d 1266 (9th Cir.), *cert. denied*, 429 U.S. 896 (1976), but even a casual reading of these cases makes it clear that they do not stand for the proposition for which they are cited. *Paeco* involves a case in which the court had appellate jurisdiction only under §1292(a)(1) and refused to rule on the issue of attorney's fees because it was irrelevant to the district court's denial of injunctive relief. 562 F.2d at 880. In *Saf-Gard*, the court refused to review the propriety of the trial court's ruling that increased damages should be imposed because no damages had yet been assessed. 532 F.2d at 1273. Moreover, *Wilden Pump & Engineering Co. v. Pressed & Welded Products Co.*, 655 F.2d 984 (9th Cir. 1981) makes it clear that *Saf-Gard* does not stand for the proposition that the determination of increased

damages should never be reviewed until after the accounting. 655 F.2d at 989. More importantly for our purposes, *Wilden Pump* demonstrates that the individual's liability as an infringer is a liability issue, not a damage issue.

Petitioners even concede in their argument that the issue of "who is to pay" is an issue of liability (P. 12) yet they seek to transplant it into the appeal of the accounting phase to overcome their earlier failure to raise it before the Fifth Circuit. Because a bifurcated trial *necessarily* separates the issues of liability and damages, it follows that when the liability phase of a bifurcated trial is appealed the issue of personal liability should "naturally be considered" along with the other liability issues. And this is what the courts consistently do.

The issue of the individual liability of Petitioners was unquestionably decided before the appellate review by the Fifth Circuit. Professor Wright's Treatise in discussing patent appeals under 28 U.S.C. § 1292(a)(4) makes the following point:

> Since appeal is allowed only if there is a judgment final except for an accounting, the statute necessarily implies that the district court judgment has established the basis for an accounting by finding infringement and disposing of any questions of patent validity. In addition, *the requirement of finality clearly means that all issues relating to liability for infringement of that patent have been determined.* (Emphasis added).

16 Wright, Miller, Cooper & Gressman, *Federal Practice & Procedure: Jurisdiction* § 3928 at 125 (1977).

The issue of Petitioners' individual liability is an integral part of the issue of liability in general, and it should not be tried in the accounting phase of a bifurcated trial unless expressly reserved for some stated reason. In their Brief, Petitioners have not cited a single case in which the

issue of individual liability was decided in the accounting phase. On the other hand, it is common practice for this issue to be reviewed on appeal following the liability phase of a patent infringement suit. *Wilden Pump, supra; International Manufacturing Co. v. Landon, Inc.*, 336 F.2d 723 (9th Cir. 1964), *cert. denied*, 379 U.S. 988 (1965); *Marks v. Polaroid Corp.*, 237 F.2d 428 (1st Cir. 1956), *cert. denied*, 352 U.S. 1005 (1957).

The Federal Circuit below correctly stated that "the district court's decision denying Wilco's motion to dismiss was part of its original decision of liability" (P.App. 18; 761 F.2d at 657). Moreover, as the Federal Circuit recognized, the issue of personal liability was *explicitly* decided by the trial court and was an issue appealable in the liability phase of the trial. The trial court's explicit ruling became the law of the case when Petitioners failed to appeal that issue to the Fifth Circuit and the Fifth Circuit's affirmance became final. The Federal Circuit correctly applied the law of the case doctrine and further found that Petitioners had presented no evidence of "exceptional circumstances" to warrant a departure from its general rule of application (P.App. 18; 761 F.2d at 657).

Petitioners also argue, albeit incorrectly, that they reserved the issue of personal liability in the Fifth Circuit when they expressly reserved their appeal of the attorney fees issue. Respondents recognize that the Petitioners reserved their right to appeal the issue relating to attorney's fees after the accounting phase of the bifurcated trial was completed. And, of course, this issue was expressly decided by the Federal Circuit below. However,

expressly reserving the attorney fees issue did not and should not affect the personal liability issue which Petitioners concede was never "briefed, argued, referenced, or in any way addressed by the parties or the court during the prior interlocutory appeal to the Fifth Circuit" (P. 7).

III.

CONCLUSION

Respondents request that the petition for writ of certiorari be denied because the Federal Circuit properly invoked the law of the case doctrine to preclude the individual defendants from belatedly seeking review of their personal liability.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that three (3) true and correct copies of the foregoing RESPONDENTS' BRIEF IN OPPOSITION was served by United States First Class Mail, postage prepaid on Counsel for Petitioners Charles Alan Wright, 727 East 26th Street, Austin, Texas 78705, and Ned L. Conley, and Jeffrey W. Tayon, Butler & Binion, Allied Bank Plaza, Houston, Texas 77002 on this the 13th day of September, 1985.